HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

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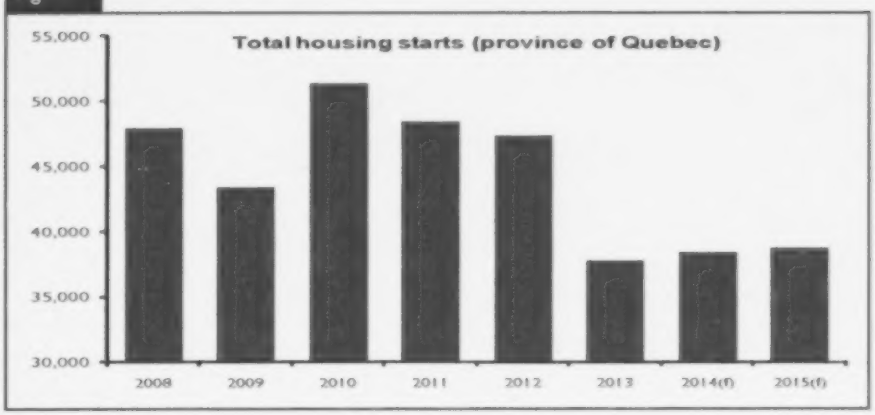
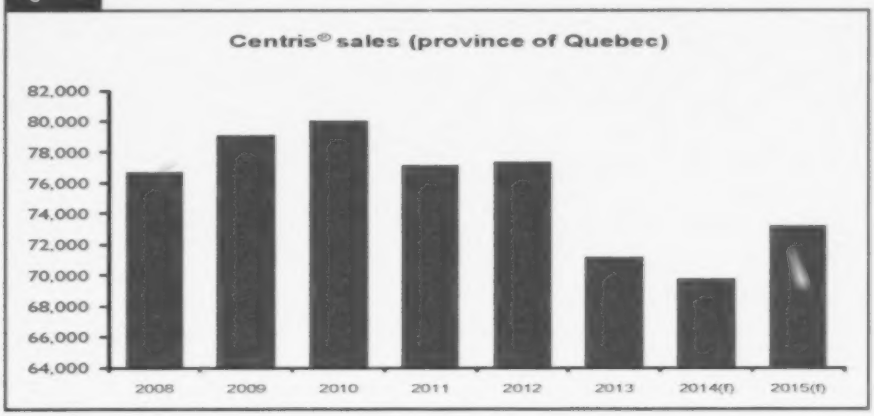
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: CMHC

Overview

In Quebec, moderate economic and employment growth will hold back demand for existing and new homes in 2014 and 2015. In addition, relatively high inventories of new and existing dwellings will constrain the number of housing starts. The expected levels of demand and supply will translate into marginal price growth in most markets.

In the next two years, economic growth will stem from consumer spending and recovering private investment. Meanwhile, public expenditures will remain limited by balanced budget objectives while net exports gain some momentum as US demand strengthens. Thus, GDP growth of 1.7 per cent and 2.0 per cent is forecasted in 2014 and 2015, respectively. As private investment increases gradually, the impact on labour markets will be felt more substantially in 2015. Thus, employment will grow at a rate of 0.3 per cent in 2014 and 1.2 per cent in 2015. The unemployment rate will come in at 7.6 per cent this year and at 7.3 per cent in 2015.

On the demographic front, total net interprovincial migration will continue to be hindered by more attractive labour markets in other provinces. However net international migration will remain sustained. Total net migration is expected to attain 38,000 persons this year and 44,000 persons in 2015. These levels will thus have a positive impact on demand in Quebec's rental markets. During this period, moderating formation of younger households will cool first-time buying, and population aging will continue to prompt some older households to downsize.

In Detail

Single Starts:

Again this year, demand for new single-detached homes will be influenced by moderate employment growth, the continued easing of the resale market and the trend toward apartment living (condominium and rental). Starts in this category will decline to the 12,000 level in 2014. As the resale market begins to tighten, demand for new single-detached homes will increase, and translate into 13,300 starts next year.

Multiple Unit Starts:

After coming back down last year, to a level that is more in line with the demographic trends, multiple unit housing starts will remain relatively stable this year and next. This market segment will continue to be supported by its relative lower price in comparison to new single-detached homes. Further growth will be held back by relatively high levels of supply of new and resale housing, which will limit the need for additional building. Starts of multiple unit dwellings will be at 26,400 units in 2014 and 25,400 in 2015.

Resales:

Sales of existing houses recorded by Centris®14 should decline slightly this year, in line with weak employment growth. A total of 69,800 transactions is thus expected this year. Like the rest of the country, buying conditions will be somewhat impeded by the eventual slightly higher interest rates. Nonetheless, 73,200 Centris® resales will be achieved next year as more robust labour markets push up demand.

Prices:

With lower demand and higher supply, prices of resale homes will post marginal growth during the forecast horizon. A gradual return to more balanced market conditions will keep price growth between the one and two per cent mark this year and next. As a result, the average price recorded by Centris® will reach $267,400 this year and $270,200 in 2015.

Mortgage rates are expected to remain unchanged until the latter months of 2015

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain unchanged until the latter half of 2015 and then begin to increase gradually. Gradual increases in mortgage rates from historic lows are not expected to significantly impact housing demand.

Mortgage rates		
1 Year	Q2 2014	3.14
	Change from Q2 2013	0.09
	2014 (F)	3.00 - 3.25
	2015 (F)	3.20 - 4.00
5 Year	Q2 2014	4.79
	Change from Q2 2013	-0.35
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q2 2014 data

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be between 3.0 per cent and 3.25 per cent, while the average for the five-year posted mortgage rate is anticipated to be between 5.0 per cent and 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.0 per cent range, while the average for the five-year posted mortgage rate is forecast to be within the 5.25 per cent to 6.0 per cent range.

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q2 2014	2.7	6.4	998.36	Q2 2014	577	139	438	1,036	245,899
	Q2 2013	-2.3	5.8	912.67	Q2 2013	588	152	436	1,256	245,929
	Change[1]	5.0	0.6	9.4%	% Change	-1.9	-8.6	0.5	-17.5	0.0
Montréal	Q2 2014	-1.0	8.3	843.17	Q2 2014	5,187	891	4,296	11,461	331,239
	Q2 2013	2.4	8.2	801.33	Q2 2013	4,320	1,044	3,276	12,035	325,242
	Change[1]	-3.4	0.1	5.2%	% Change	20.1	-14.7	31.1	-4.8	1.8
Québec	Q2 2014	1.3	5.4	840.00	Q2 2014	1,412	360	1,052	1,883	265,847
	Q2 2013	-0.8	4.8	846.07	Q2 2013	1,231	357	874	1,904	270,938
	Change[1]	2.2	0.6	-0.7%	% Change	14.7	0.8	20.4	-1.1	-1.9
Saguenay	Q2 2014	-2.2	9.7	813.86	Q2 2014	262	84	178	375	199,919
	Q2 2013	-3.8	7.7	785.35	Q2 2013	352	126	226	442	194,022
	Change[1]	1.5	2.0	3.6%	% Change	-25.6	-33.3	-21.2	-15.2	3.0
Sherbrooke	Q2 2014	4.0	8.0	797.35	Q2 2014	360	152	208	476	227,815
	Q2 2013	-2.0	7.5	768.29	Q2 2013	474	157	317	513	220,623
	Change[1]	5.9	0.5	3.8%	% Change	-24.1	-3.2	-34.4	-7.2	3.3
Trois Rivières	Q2 2014	5.1	8.4	769.43	Q2 2014	282	97	185	318	165,710
	Q2 2013	-7.9	9.3	740.91	Q2 2013	394	100	294	272	158,330
	Change[1]	13.0	-0.9	3.8%	% Change	-28.4	-3.0	-37.1	16.9	4.7
Province of Quebec	June 14	-0.3	8.1	821.06	Q2 2014	11,380	3,716	7,664	21,879	272,728
	June 13	1.2	7.9	789.52	Q2 2013	11,421	4,608	6,813	23,026	268,598
	Change[1]	-1.6	0.2	4.0%	% Change	-0.4	-19.4	12.5	-5.0	1.5
Canada[2]	June 14	0.4	7.1	898.66	Q2 2014	53,281	21,494	31,787	153,365	413,361
	June 13	1.4	7.1	883.72	Q2 2013	51,259	22,490	28,769	145,886	385,571
	Change[1]	-1.0	0.0	1.7%	% Change	3.9	-4.4	10.5	5.1	7.2

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).
The Centris® system contains all the listings of Québec real estate brokers.
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook
(units and percentage change)

	2009	2010	2011	2012	2013	2014(F)	2015(F)	2014Q1	2014Q2	2014Q3(F)	2014Q4(F)
Housing Starts:											
Single	17,535	19,549	16,554	16,059	13,144	12,000	13,300	10,808	11,242	12,600	13,500
%	-11.3	11.5	-15.3	-3.0	-18.2	-8.7	10.8	-14.5	4.0	12.1	7.1
Multiple	25,868	31,814	31,833	31,308	24,614	26,400	25,400	28,079	28,365	24,500	24,750
%	-8.0	23.0	0.1	-1.6	-21.4	7.3	-3.8	7.4	1.0	-13.6	1.0
Total	43,403	51,363	48,387	47,367	37,758	38,400	38,700	38,887	39,607	37,100	38,250
%	-9.4	18.3	-5.8	-2.1	-20.3	1.7	0.8	0.3	1.9	-6.3	3.1
Existing Home Markets:											
Centris® Sales	79,105	80,027	77,165	77,376	71,205	69,800	73,200	68,556	69,140	69,500	72,000
%	3.1	1.2	-3.6	0.3	-8.0	-2.0	4.9	-2.2	0.9	0.5	3.6
Centris® Average Price	225,367	241,455	252,147	260,516	262,454	267,400	270,200	269,034	270,877	265,000	265,000
%	4.7	7.1	4.4	3.3	0.7	1.9	1.0	-0.1	0.7	-2.2	0.0

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges

	2014			2015		
	Point Forecast	**High Forecast**	**Low Forecast**	**Point Forecast**	**High Forecast**	**Low Forecast**
Province of Quebec						
Housing Starts	38,400	39,500	37,300	38,700	42,900	34,500
Multiple	26,400	27,100	25,700	25,400	28,000	22,800
Single	12,000	12,400	11,600	13,300	14,900	11,700
Centris® Sales	69,800	72,700	67,900	73,200	77,600	70,300
Centris® Average Price ($)	267,400	271,300	264,000	270,200	276,900	263,400
Canada						
Housing Starts	184,800	189,900	179,600	183,100	203,200	163,000
Multiple	110,800	113,700	107,900	108,700	120,000	97,400
Single	74,000	76,200	71,700	74,400	83,200	65,600
MLS® Sales	463,600	482,700	450,800	474,300	502,900	455,800
MLS® Average Price ($)	399,800	405,700	394,700	406,800	416,900	396,500

Sources : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2014**	YTD 2013**	% chg (2013/2014)
Gatineau	Single-Detached	475	460	-3.2	440	-4.3	196	194	1.0
	Multiple	1,449	1,590	9.7	1,760	10.7	811	505	60.6
	Total	1,924	2,050	6.5	2,200	7.3	1,007	699	44.1
Montréal	Single-Detached	3,039	2,700	-11.2	3,100	14.8	1,284	1,551	-17.2
	Multiple	12,593	14,000	11.2	12,500	-10.7	7,488	5,466	37.0
	Total	15,632	16,700	6.8	15,600	-6.6	8,772	7,017	25.0
Québec	Single-Detached	961	900	-6.3	850	-5.6	482	493	-2.2
	Multiple	3,719	3,150	-15.3	2,800	-11.1	1,456	1,794	-18.8
	Total	4,680	4,050	-13.5	3,650	-9.9	1,938	2,287	-15.3
Saguenay	Single-Detached	337	275	-18.4	300	9.1	103	146	-29.5
	Multiple	582	400	-31.3	400	0.0	249	362	-31.2
	Total	919	675	-26.6	700	3.7	352	508	-30.7
Sherbrooke	Single-Detached	442	390	-11.8	400	2.6	189	234	-19.2
	Multiple	1,054	910	-13.7	1,030	13.2	386	465	-17.0
	Total	1,496	1,300	-13.1	1,430	10.0	575	699	-17.7
Trois Rivières	Single-Detached	243	220	-9.5	200	-9.1	110	122	-9.8
	Multiple	606	580	-4.3	500	-13.8	309	319	-3.1
	Total	849	800	-5.8	700	-12.5	419	441	-5.0

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - June

Quebec Region Housing Forecast - Resale Market

		2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2013**	YTD 2014**	% chg (/)
Gatineau	Centris® Sales[1]	3,545	3,200	-9.7	3,400	6.3	2,032	1,769	-12.9
	Centris® Avg. Price[1]	243,330	243,500	0.1	245,000	0.6	242,979	241,709	-0.5
Montreal	Centris® Sales[1]	36,501	36,400	-0.3	38,700	6.3	21,909	21,048	-3.9
	Centris® Avg. Price[1]	323,986	327,000	0.9	330,500	1.1	322,130	326,293	1.3
Québec	Centris® Sales[1]	6,282	6,450	2.7	6,650	3.1	3,756	3,730	-0.7
	Centris® Avg. Price[1]	267,254	270,000	1.0	275,000	1.9	268,105	262,145	-2.2
Saguenay	Centris® Sales[1]	1,185	1,100	-7.2	1,100	0.0	750	668	-10.9
	Centris® Avg. Price[1]	192,237	192,000	-0.1	185,000	-3.6	191,568	192,091	0.3
Sherbrooke	Centris® Sales[1]	1,665	1,580	-5.1	1,500	-5.1	1,008	946	-6.2
	Centris® Avg. Price[1]	229,483	230,000	0.2	233,500	1.5	214,958	221,619	3.1
Trois Rivieres	Centris® Sales[1]	928	1,025	10.5	1,000	-2.4	555	649	16.9
	Centris® Avg. Price[1]	158,582	164,000	3.4	166,500	1.5	158,344	162,614	2.7

The Centris® system contains all the listings of Québec real estate brokers.

Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2014-2015

[1] Source for the CMA's : Centris® Statistics, YTD: January to December

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

** YTD = January - June

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2013	Oct 2014(F)	Oct 2013	Oct 2014(F)
Gatineau	5.1	6.2	744	745
Montréal	2.8	2.6	730	740
Québec	2.3	2.3	757	770
Saguenay	2.8	3.0	571	590
Sherbrooke	5.3	5.2	591	600
Trois Rivières	5.1	5.5	555	560
Canada	2.9	2.6	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

[1] All centres 100,000+

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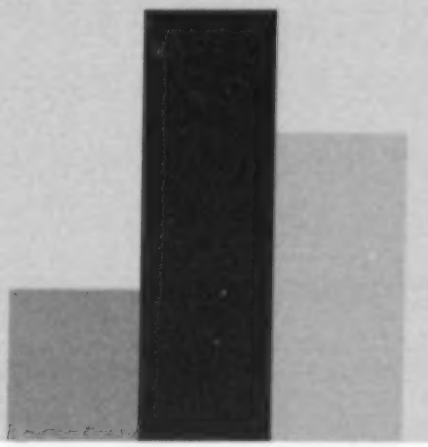

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- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
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